AT THE INTERSECTION OF VALUE AND SUSTAINABLE INVESTING

Introducing the Brown Advisory
U.S. Large-Cap Sustainable Value Strategy

May 2023

At Brown Advisory, we have extensive value investing experience, which we believe can help us to identify high-quality companies in the U.S. large-cap universe that we determine are trading at attractive valuations. Now we have combined this with our 10+ years of sustainable investing experience to build a portfolio of companies that we believe will outperform their peers thanks to a combination of durable fundamentals, high free cash flow generation and a strong commitment to environmental, social and governance (ESG) outcomes.

Built on our long history of expertise in large-cap, value and sustainable investing, the U.S. Large-Cap Sustainable Value strategy seeks to achieve competitive risk-adjusted returns over a full market cycle while providing a margin of safety. This is achieved by investing in a concentrated portfolio of companies that, according to our analysis, generate durable levels of free cash flow, exhibit capital discipline and have attractive valuations. In addition, we like our companies to demonstrate sustainable competitive advantages, more specifically defined by us as Sustainable Cash Flow Advantages (SCFA), where strong ESG execution often extends the duration and lowers the volatility of cash flows.

At Brown Advisory, we have long championed a performance-first mindset, which has enabled us to focus and deliver attractive long-term returns to our clients as well as achieving positive environmental and social outcomes.

WHY SUSTAINABLE VALUE?

The number of ESG-focused funds has mushroomed to meet investor demand. We believe, however, that there is currently a vacuum at the intersection between sustainability and value. Many companies that are traditionally perceived as ‘value stocks’, such as energy and financial services, do not typically fit the traditional mold of an ESG investment and have often been overlooked. In our view, there is room for a strategy that pinpoints those companies traditionally perceived as ‘value stocks’ but where management teams are leveraging sustainability to drive better free cash flow outcomes for the business.

We do not take an exclusionary approach at Brown Advisory and instead build portfolios from the bottom up. It is the very essence of value investing that makes integrating ESG research into the process such an opportunity—we have the ability to allocate capital to companies that are part of the sustainable transition. The reality is that our clients need a diversified portfolio to optimize the likelihood of positive returns. Plus, our climate and society need all the possible solutions, not just those that sit in a style box.

AT THE INTERSECTION OF VALUE AND SUSTAINABLE INVESTING

Brown Advisory's large-cap, value and sustainable investing expertise

2009

U.S. SMALL-CAP FUNDAMENTAL VALUE

Brown Advisory's second small-cap equity strategy is launched January 1st, 2009

Seeks companies with durable free cash flow and management teams that demonstrate effective capital allocation, whilst taking advantage of valuation gaps overlooked by the market

INCEPTION OF SUSTAINABLE INVESTING PLATFORM

Winslow Management Company joined Brown Advisory, bringing 25+ years expertise in ESG investing

Brown Advisory's sustainable investing platform is launched, utilizing ESG research as a value-added component of individual security analysis, integrated with fundamental research

2010

U.S. LARGE-CAP SUSTAINABLE GROWTH

Brown Advisory's first sustainable equity strategy is launched December 31st, 2009

Seeks companies with durable fundamental strengths, sustainable competitive advantages and compelling valuations

2022

U.S. LARGE-CAP SUSTAINABLE VALUE

Large-cap equity investing marries Brown Advisory's proven value and sustainability frameworks

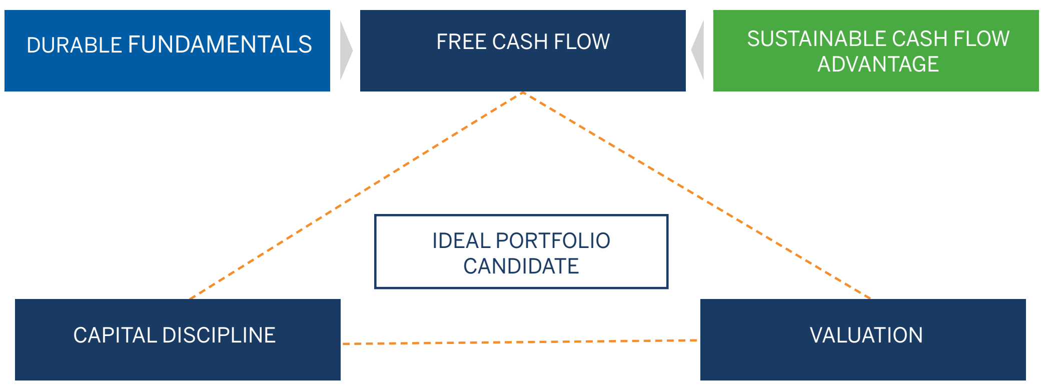
Seeks companies with durable fundamental strengths, capital discipline, sustainable free cash flow advantages and compelling valuations

IDENTIFYING DIFFERENTIATED VALUE OPPORTUNITIES THROUGH THE BROWN ADVISORY LENS

The U.S. Large-Cap Sustainable Value strategy brings together Brown Advisory experts across large-cap, value and sustainable investing. Portfolio Manager Michael Poggi, CFA, has 20 years of investment experience as a value investor and is supported by our large and diverse team of sector specialists and ESG experts. We pride ourselves on our ability to integrate fundamental and ESG research in a manner that we believe improves our investment decisions and leads to better performance over time.

It is our view that many companies in the early or mid-stages of their sustainability journey will add value—this gives us an opportunity to allocate our investors' capital towards these businesses and build a portfolio that can make a difference.

The team works tirelessly to ensure that our investment decisions are informed by our robust proprietary fundamental and ESG research leading to clear insights about a company's future prospects. Our fundamental and ESG analysts collaborate in an effort to find companies with qualities the market may not yet have noticed. The team uses a unique lens to ensure that we scrutinize potential investments from every angle—identifying companies with sound fundamentals and solutions that drive positive impact, as well as seeking to avoid companies where fundamentals are lacking or ESG risks are deemed too high. We ultimately aim to identify what we refer to as a Sustainable Cash Flow Advantage (SCFA)—or the opportunity to develop one—before we commit a company to the portfolio.

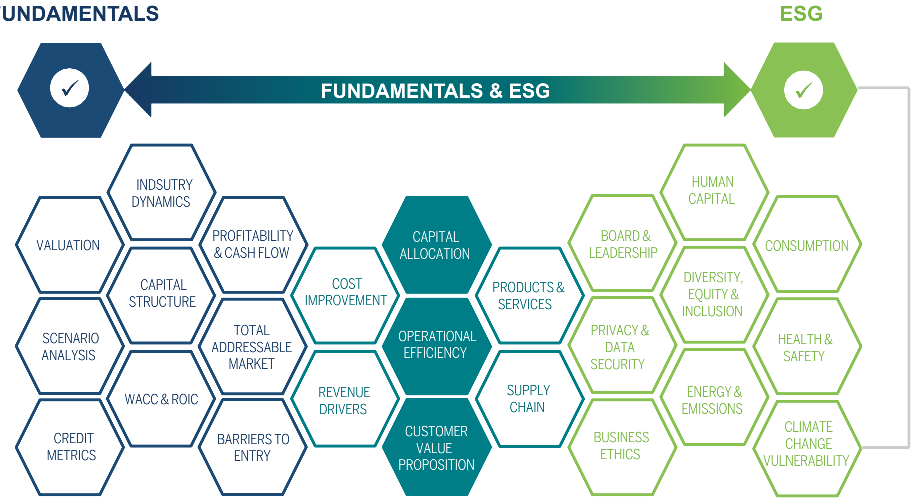


AT THE INTERSECTION OF VALUE AND SUSTAINABLE INVESTING

While our extensive history and experience within ESG research can give us an analytical edge when picking stocks, our bottom-up approach to business fundamentals is equally important. Part of our fundamental research includes researching public documents and historical financials, focusing on capital intensity and capital structures. By combining this information with the ESG insights we have learned, we are able to build in-depth financial models to identify a company's free cash flow drivers and upside/downside potential. Furthermore, within our equity research team, we have a group of investigative analysts, something which we believe sets our research apart. This team use their investigative skills to answer complex questions about specific companies and industries. Their job is in some ways to be a detective, talking to customers and suppliers who use or don't use a company's product and gaining a deeper understanding of the value that product creates for its customers. The depth of proprietary research this group offers has frequently helped our investment team make better decisions.

Fundamentals and ESG Integration

Mosaic of information



RESOURCES

Primary Research

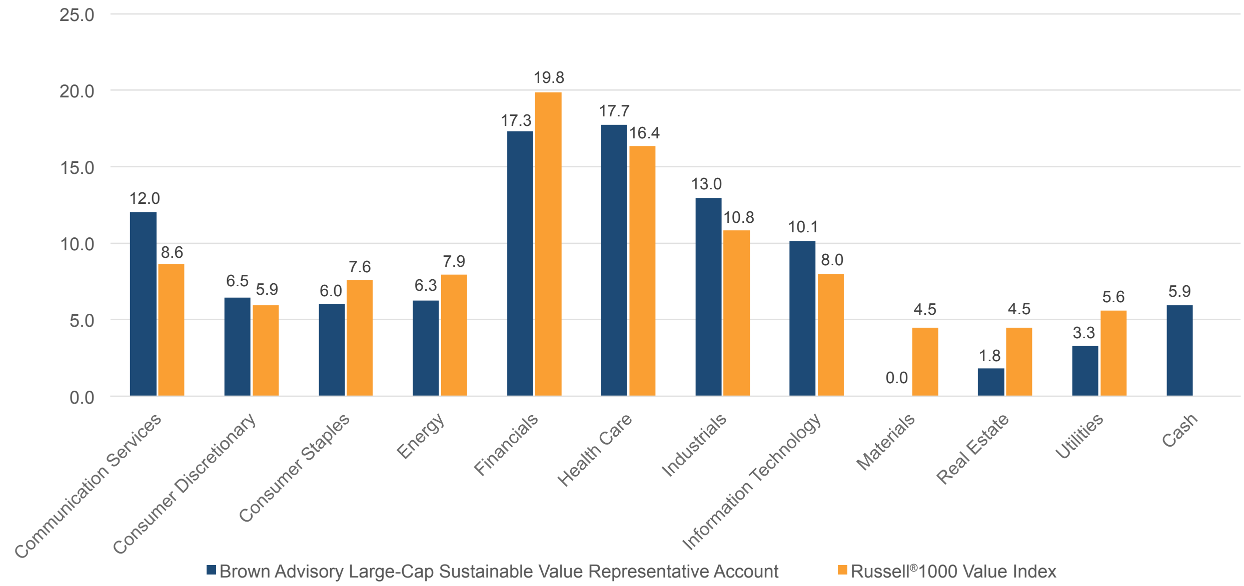
- Interviews with management, suppliers, customers, and industry experts
- Collaboration with investigative analysts

Secondary Research

- Company filings and reports
- Public/private databases, business publications, policymakers
- Third-party research (e.g., sell side, rating agencies, MSCI, ISS)

The 30-40 companies within the U.S. Large-Cap Sustainable Value strategy are drawn from diverse sectors, ranging from technology to industrials, energy to health care, and are at various stages in their sustainability journeys. They have been chosen for their capital discipline and durable fundamental cash flow, together with an attractive valuation. As fundamental stock-pickers, we also conduct ESG research from the bottom up, enabling us to perform deep analysis on companies and identify dislocations between what the market sees and what we find.

Portfolio Sector Breakdown (as at 03/31/2023)



Source: FactSet. Portfolio information is based on a representative Large-Cap Sustainable Value account. Sectors are based on the Global Industry Classification Standard (GICS) classification system. Sector weights include cash and cash equivalents. Please see the last page for a complete list of terms and definitions. Numbers may not total due to rounding.

SUSTAINABLE CASH FLOW ADVANTAGE (SCFA): OUR 3P INVESTMENT FILTER

Every company in the portfolio must either have an established SCFA or an emerging SCFA, that has the potential to be realized within our investment time horizon. When searching for companies that we deem to have an SCFA, we are looking for those that are laser-focused on controlling the controllable. Every company is exposed to external and uncontrollable factors (e.g., market, political or economic risks). Rather than dwelling on this, we think there are three things a company can truly control—their people (and the culture they drive), their process and day to day operations and their products or services. With that in mind, we have developed our 3P investment filter, which allows us to find companies that are gaining an advantage or reducing risk by improving their ESG practices. If a company can tie one of those 3Ps to a sustainable opportunity thesis, we believe it has a material Sustainable Cash Flow Advantage.

Our ESG philosophy is centred on a holistic view of a company, where we consider how it plays defense on risks and offense with opportunities. We are exclusively focused on companies at the intersection of strong fundamentals and our SCFA analysis, where a company uses ESG to drive outperformance, through its management of people, process and/or product.

PEOPLE

EXAMPLE: CULTURE & CAPITAL DISCIPLINE

PEOPLE. How is this company attracting, promoting and retaining employees as a driver of value? Is this company fostering a culture of success, where employees can grow organically through the ranks of the business, where they are treated fairly and are well compensated for their work? Is diversity, equity and inclusion (DE&I) a core focus for this company?

PROCESS

EXAMPLE: OPERATIONAL EXCELLENCE

PROCESS. Does this company have a mindset of continuous improvement? Sound operations that promote a safe and healthy community can bolster franchise value, while also avoiding regulatory or reputational risk. We believe this has many benefits, including cost and resource savings, leading to an outcome that will likely cut carbon emissions and improve natural capital.

PRODUCT

EXAMPLE: DIVERSIFICATION

PRODUCT. Is this company focused on being a solution provider? Is it able to drive a superior customer experience to allow its clients to achieve their sustainability goals?

Using our 3P investment filter allows us to uncover undervalued companies that others may overlook. To gain our attention, a company does not have to demonstrate a strong SCFA outcome across all three—it could be that they are laser-focused on one but on a clear path to the others.

PUTTING OUR PROCESS INTO PRACTICE: CHAMPIONX (CHX)[1]

The energy sector is a fitting example of our 3P attributes. Energy is the foundation of our economy and widely known to be responsible for emissions that contribute to climate change. While the energy sector is often personified as the villain, we prefer to view it as a sector of the economy, not a symbol of good or bad. Intrinsically, energy is an industry upon which the global economy relies, but there is no disputing that it's an industry with multiple environmental risks. We appreciate the threat that climate change poses, and we seek opportunities in energy security and climate mitigation, and seek to find companies that manage climate risk better than others.

As an example of how our investment approach can help us to pick value stocks with a SCFA, let us look at technology provider ChampionX, which is one of the strategy's core holdings. ChampionX is a chemicals company specializing in delivering solutions that optimize the extraction and drilling of oil and gas.

Fundamental analysis reveals that despite the perceived cyclicality of its end markets, ChampionX has been a consistent free cash flow (FCF) generator over the last seven years. Over 70% of its revenues are consumable in nature, providing an increased recurring revenue stream. In our view, its leading market position allows it to be a price leader and enjoy favorable margins, even during down cycles. At the end of 2022, it committed to returning more than 60% of free cash flow to shareholders going forward.

We then use our ESG research to uncover the company's SCFA, which is apparent in three ways:

1. **Products that extend the life of oil fields:** CHX's reservoir modelling products enhance oil recovery in mature oil fields, extending the economic life of fields in a safe and responsible manner, while simultaneously improving their carbon footprint. This can delay the need to drill new oil/gas fields.
2. **Methane leak detection products:** CHX is among the first movers in oilfield methane emission detection technologies and measurement. Its focus on continuous monitoring solutions vs. areal fly-by detection provides a more effective solution to methane leaks which serves as another revenue source.
3. **Solutions that enable customers to achieve sustainability related goals:** CHX offers chemical solutions that help customers achieve fresh water usage goals. By increasing a customer's ability to use recycled water, CHX's products can mitigate the impact of fluid problems that can shorten the life of an oil well (i.e., scale, emulsion and microbial growth).

These sustainable advantages add additional meaning to the fundamental valuation of ChampionX and we believe make it more likely to outperform over time.

ENGAGEMENT CAN LEAD TO BETTER OUTCOMES

No company is perfect. Through deliberate and thoughtful engagement, we hope to find something the market and our peers have missed. Many of our portfolio companies and potential targets for the strategy are at an early stage in their sustainability journey, which means that the potential benefits of that journey are not being adequately valued by the market. We believe that the earlier we get involved, the bigger the potential upside. Yet, in the same breath, early entry also increases the likelihood of our thesis failing to mature. Through our analysis, we seek to tip the risk/reward equation in our client's favor. This is why we believe engagement is critical. It allows us to monitor a company's progress but also, where possible, to be part of that progress, using our influence as active managers with a long-term shareholder orientation, as a method to engage with management teams.

While most of our portfolio companies have been identified as having a clear SCFA, we may also invest in companies that are earlier in their sustainability journey and on a pathway to achieving one. Companies with developing SCFA or with higher risks are targeted as engagement priorities and we expect these businesses to bear out our theory that there will be advantages to their strategy within three to five years.

We use an engagement strategy matrix for each company, which includes a specific outcome in a defined timeframe, and we create annual KPIs to evaluate progress towards that goal. Our engagement toolkit is broad and includes investor collaboration, letter-writing, management dialogue, site visits, proxy vote, and other tools. We leverage conversations with management, employees, critics, academic institutions and other stakeholders to help us understand potential dislocations and test our investment thesis.

While no single investor can claim responsibility for a company's sustainable achievements, we believe we can play a role in the journey of investee companies and improve outcomes for our clients at the same time.

KNOWING WHEN IT IS TIME TO SELL

Of course, our focus is not just on when it is the right time to invest in a company. We also have to pay careful attention and make sensible decisions about when it is time to sell. We generally sell companies for one of four reasons:

1. **Violation of either our fundamental or SCFA thesis:** A negative event impacting a company's ability to generate free cash flow, mis-execution or the erosion of company's Sustainable Cash Flow Advantage.
2. **Increased execution risk from capital allocation decisions:** Management poorly executing a merger or acquisition or making ill-timed capital markets transactions; also may include significant increases in capital expenditures on a go-forward basis.
3. **Excessive valuation:** When valuation is excessive relative to the quality of the business, it becomes a headwind to total return.
4. **Alternative opportunities:** If a company is close to its target price level, whereby the risk/reward ratio becomes comparatively less attractive compared to other attractively valued portfolio holdings or a new opportunity. We seek to create competition for capital and fund new ideas from current holdings.

Following a sell decision, our team performs an "After Action Review," which reviews the investment performance against our initial thesis and aims to capture behavioral and analytical lessons learned. We seek to learn and improve continuously—being able to reflect on our past decisions to help us improve our future decisions is something that can benefit us as professional investors and ultimately our portfolio and our clients.

CONCLUSION

The intersection of ESG and value investing has become increasingly important. Investors are realizing that using ESG criteria can not only help mitigate risks and enhance returns, but also contribute to the sustainable growth of companies and the broader economy. Companies that adopt good ESG practices tend to attract a loyal customer base, talented employees and are likely to avoid costly legal liabilities—highlighting our 3P philosophy.

We believe the investors who successfully incorporate ESG factors into their investment decisions are better positioned to identify companies with strong fundamentals and long-term growth prospects, thus creating a more robust and sustainable portfolio with the potential to deliver attractive long-term returns.

How we are different

About Brown Advisory

Brown Advisory is a leading independent investment firm that offers a wide range of solutions to institutions, corporations, nonprofits, families and individuals. Our mission is to make a material and positive difference in the lives of our clients. We are committed to delivering a combination of first-class performance, customized strategic advice and the highest level of personalized service.

We follow a philosophy that low-turnover, concentrated portfolios derived from sound bottom-up fundamental research provide an opportunity for attractive performance results over time. We have a culture and firm equity ownership structure that help us attract and retain professionals who share those beliefs, and we follow a repeatable investment process that helps us stay true to our philosophy.

For more information, please visit www.brownadvisory.com

Michael Poggi, CFA

Mike is the portfolio manager for the Large-Cap Sustainable Value Strategy. He joined Brown Advisory in 2003 as an equity research analyst and has covered multiple sectors and industries with a primary focus on value companies across the market cap spectrum. For the past 13 years, Mike has also been dedicated to the Small-Cap Fundamental Value strategy as an Associate Portfolio Manager while covering the industrial, material and energy sectors.

Katherine Kroll

Katherine is the Director of Equity ESG Research and Strategy. She is responsible for ESG integration, adoption and research across Brown Advisory's institutional equity investment strategies. Additionally, she leads the ESG engagement strategy and supports the expansion of sustainable investment solutions at Brown Advisory. She joined Brown Advisory in 2018.

Disclosures

[1] ChampionX is a current holding in the Large-Cap Sustainable Value portfolio as of 03/31/2023 and was selected because the investment team believes it demonstrates the strategy's stated investment philosophy regarding attractive business fundamentals, compelling valuation, and strong or improving Sustainable Cash Flow Advantages. It does not represent all of the securities purchased, sold or recommended for advisory clients.

Data source: ChampionX, as of 12/31/2022. Portfolio information is based on a representative Large-Cap Sustainable Value account. The information provided in this material is not intended to be and should not be considered to be a recommendation or suggestion to engage in or refrain from a particular course of action or to make or hold a particular investment or pursue a particular investment strategy, including whether or not to buy, sell, or hold any of the securities mentioned. It should not be assumed that investments in such securities have been or will be profitable. To the extent specific securities are mentioned, they have been selected by the author on an objective basis to illustrate views expressed in the commentary and do not represent all of the securities purchased, sold or recommended for advisory clients. Please see disclosure statements at the end of this presentation for additional information and for a complete list of terms and definitions.

Past performance is not a guarantee of future performance and you may not get back the amount invested. The views expressed are those of the author and Brown Advisory as of the date referenced and are subject to change at any time based on market or other conditions. These views are not intended to be and should not be relied upon as investment advice and are not intended to be a forecast of future events or a guarantee of future results. The information provided in this material is not intended to be and should not be considered to be a recommendation or suggestion to engage in or refrain from a particular course of action or to make or hold a particular investment or pursue a particular investment strategy, including whether or not to buy, sell, or hold any of the securities mentioned. It should not be assumed that investments in such securities have been or will be profitable. To the extent specific securities are mentioned, they have been selected by the author on an objective basis to illustrate views expressed in the commentary and do not represent all of the securities purchased, sold or recommended for advisory clients. The information contained herein has been prepared from sources believed reliable but is not guaranteed by us as to its timeliness or accuracy, and is not a complete summary or statement of all available data. This piece is intended solely for our clients and prospective clients, is for informational purposes only, and is not individually tailored for or directed to any particular client or prospective client.

ESG considerations are one of multiple informational inputs into the investment process, alongside data on traditional financial factors, and so are not the sole driver of decision-making. ESG analysis may not be performed for every holding in the strategy. ESG considerations that are material will vary by investment style, sector/industry, market trends and client objectives. The strategy seeks to identify companies that it believes may have desirable ESG outcomes, but investors may differ in their views of what constitutes positive or negative ESG outcomes. As a result, the strategy may invest in companies that do not reflect the beliefs and values of any particular investor. The strategy may also invest in companies that would otherwise be screened out of other ESG oriented funds. Security selection will be impacted by the combined focus on ESG assessments and forecasts of return and risk. The strategy intends to invest in companies with measurable ESG outcomes, as determined by Brown Advisory, and seeks to screen out particular companies and industries. Brown Advisory relies on third parties to provide data and screening tools. There is no assurance that this information will be accurate or complete or that it will properly exclude all applicable securities. Investments selected using these tools may perform differently than as forecasted due to the factors incorporated into the screening process, changes from historical trends, and issues in the construction and implementation of the screens (including, but not limited to, software issues and other technological issues). There is no guarantee that Brown Advisory's use of these tools will result in effective investment decisions. We do not engage with every company or issuer. We engage only when we believe engagement will be material to our investment decision making.

The Russell 1000® Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 companies with lower price-to-book ratios and lower expected and historical growth rates. The Russell 1000® Value Index is constructed to provide a comprehensive and unbiased barometer for the large-cap value segment. The Index is completely reconstituted annually to ensure new and growing equities are included and that the represented companies continue to reflect value characteristics. The Russell 1000® Value Index and Russell® are trademarks/service marks of the London Stock Exchange Group companies. An investor cannot invest directly into an index. Benchmark returns are not covered by the report of the independent verifiers.

Terms and Definitions

Free Cash Flow (FCF) represents the cash a company generates after accounting for cash outflows to support operations and maintain its capital assets. FCF yield is a measure of financial performance calculated as operating cash flow minus capital expenditures.

Upside/downside: To say an investment has upside is to say it has the potential to increase in value. By contrast, when an investment has downside it has the potential to decrease in value.